

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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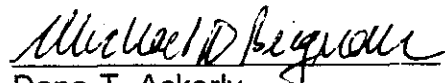
Docket No. R97-1

RESPONSE OF THE DIRECT MARKETING ASSOCIATION, INC. WITNESS BUC
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
(USPS/DMA-T1-19-21)

The Direct Marketing Association, Inc. hereby provides responses of witness Buc to the following interrogatories of the United States Postal Service (USPS/DMA-T1-19-21), filed on January 29, 1998.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



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February 12, 1998

USPS/DMA-T1-19. Please refer to your response to USPS/DMA-T-1-2b. You state that "not all programs which have increases in clerks, mailhandlers or city carriers will necessarily have [corresponding] increases in supervisors" and that "because managers apparently never considered adjustments in supervisors' costs, it is only reasonable to decrease supervisors' costs proportional to the decrease in the related craft workers' costs".

- (a) Your use of the word "apparently" leads the reader to believe that you have speculated that Postal Service program managers did not consider adjustments in supervisor costs when they estimated the impact of cost reduction programs. Please confirm that you do not know for a fact that Postal Service program managers did not consider adjustments in supervisor costs when they estimated the impact of cost reduction programs but rather you have made an assumption to that effect. If you do not confirm please explain how you know this for a fact.
- (b) Please explain why you feel that cost reductions in "craft workers' costs" should result in proportional supervisor savings but other programs increases in "craft workers' costs" do not always result in proportional supervisor cost increases.

USPS/DMA-T1-19 Response:

- (a) I do not know for a fact that Postal Service program managers did not consider adjustments in supervisor costs when they estimated the impact of cost reduction programs. I do know that witness Patelunas did testify that the program managers were not **instructed** to determine whether reductions in Clerk and Mailhandler and City Carrier workhours would reduce the amount of supervisor and technician workhours needed to manage the craft workers. (See Tr. 13/7211). I also know that of 12 cost increases for Clerk or Mailhandlers or Carriers in Other Programs in FY 1997, 4 (or 1/3) were accompanied by increases in Supervisors costs; moreover, of the 28 increases in Clerks or Mailhandlers or Carriers in Other Programs in FY 1998, 4 (or 1/7) were accompanied by increases in Supervisors costs. Thus, for the two years combined, there were 40 increases in craft costs of which 8 (or 1/5) were

accompanied by increases in supervisors' costs.

Given that there were increases to supervisors' costs in FY97 and FY98, it is very unlikely that there would be no decreases to supervisors' costs when the costs of the supervised craft decreased. Assuming that cost reductions for supervisors when there are cost reductions for the supervised craft should be as likely as cost increases for supervisors when there are cost increases for the supervised craft, the probability of there being no reductions for supervisors' costs in the 41 cost reduction programs for FYs 1997 and 1998 is .01 percent.¹ Thus, although I have made an assumption, it appears to be consistent with the facts.

(b) As I stated, "[n]ot all programs which have increases in clerks, mailhandlers or city carriers [costs] will necessarily have corresponding increases in supervisors [costs]." However, there was an aggregate increase in supervisors' costs based on an aggregate increase in the supervised craft costs in Other Programs for FYs 1997 and 1998. I don't believe that supervisors' costs for a particular program necessarily will change proportionately (either up or down) when there is a corresponding change in the costs of the supervised craft in either Other Programs or cost reduction programs. However, I believe that, in the aggregate, it is highly unlikely that, while aggregate increases in craft costs are accompanied by aggregate increases in supervisors' costs, aggregate decreases in craft costs are not accompanied by

¹ Calculated by raising the ratio 4/5 (the probability of not having a supervisor cost decrease when there is a cost decrease for the supervised component from a particular cost reduction program) to the forty first power.

aggregate decreases in supervisors' costs. In fact, the ratio of costs for supervisors of mail processing clerks and mailhandlers and carriers to the crafts supervised in the rollforward from FY 1997 to TY 1998 was .070 before Other Programs and .070 after Other Programs. The ratio of the cost increases within Other Programs between supervisors and the supervised crafts was .061. While this is slightly below the overall supervisor/craft cost ratio, the essential point is that, in the aggregate, there were increases in supervisors' costs from Other Programs, but no supervisor cost decreases when the costs of the supervised craft decreased.

USPS/DMA-T1-20. Please refer to your response to USPS/DMA-T1-3b. You were asked to explain how you determined that program managers "simply did not realize that they were supposed to adjust supervisors' and technicians' costs downward as they did for the costs for mail processing clerks and mailhandlers and city carriers due to the cost reduction programs." You responded that your statement was based [sic] witness Patelunas' testimony that program managers who estimated savings from personnel-related cost reduction programs for Clerks and Mailhandlers and for City Carriers were not instructed to determine whether these savings would reduce the number of supervisor hours (Tr. 13/7211).

- (a) Are you aware of any testimony indicating that program managers were instructed not to determine the impact of cost reduction programs on supervisor costs? If your answer is other than an unqualified no, please provide such testimony and its source.
- (b) Please confirm that witness Patelunas testified in his response to DMA/USPS-T15-1b. that "the program managers who estimated the savings from personnel-related cost reduction programs made their estimates based on their expertise. The program managers have first hand knowledge of the particular programs and operations; thus, they are the best judges of estimating how the programs will impact operations. The program managers use their own understanding of the relationships between craft employees and supervisors when they determined these cost reduction estimates". If you do not confirm please explain why?
- (c) Please confirm that witness Patelunas testified in his response to DMA/USPS-T15-5ei. that "the program managers arrived at their estimates using their knowledge and experience in operations. It would not be realistic to conclude from your arithmetic that program managers did not analyze the effect on supervisor and technician workyears." If you do not confirm please explain why?
- (d) Assume that program managers were not instructed specifically what categories of employees to consider in making their estimates but rather were simply asked to estimate the impact of the program whatever it might be. Under such a scenario is it possible that program managers considered the impact of the program on supervisors and concluded that no savings should be included? If your answer is other than yes, please explain why this could not be possible.
- (e) In your response to USPS/DMA-T1-3b. you state "I think that program managers primarily consider direct craft labor costs because direct labor costs are ten times higher than supervisors' costs. I doubt that program managers spend much time contemplating the relationship between craft employees and supervisors. . . ." [sic] I think program managers ignored this relationship when estimating cost savings. . . . the fact that no program manager estimated supervisor cost savings when the costs for the component supervised decreased suggests that

witness Patelunas is incorrect." Does your use of words such as "I think," "I doubt," and "suggests," mean that these are simply your opinions and not facts that you can prove? If your answer is other than yes, explain why you have not been more emphatic.

USPS/DMA-T1-20 Response:

(a) No, but also see my response to USPS/DMA-T1-19.

(b) Confirmed.

(c) Confirmed.

(d) It is possible, but it is not very likely. See my response to USPS/DMA-T1-19.

(e) These are my opinions supported by the facts I have explained in my testimony, in my previous interrogatory responses, and in my response to USPS/DMA-T1-19 above. If I were flipping a coin and heads came up 41 times in a row, others might believe that the probability of heads on the next toss was .5. I would believe that the coin was not fair. Overall 1/5 of the 40 increases in costs for Clerks and Mailhandlers and Carriers were associated with cost increases for supervisors, while none of the 41 cost reduction programs were associated with cost decreases for supervisors.

USPS/DMA-T1-21. Please refer to your response to USPS/DMA-T1-4b. where you state "confirmed, if the process described in subpart (a) actually takes place." Do you know for a fact that the process described in subpart (a) did not take place? If your answer is other than no, please provide the factual basis for you [sic] assertion.

USPS/DMA-T1-21 Response:

I do not know for a fact that the process described did not take place. I also do not know for a fact that it did take place.

DECLARATION

I, Lawrence G. Buc, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Lawrence G Buc

Dated: Feb 12, 1948

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice, as modified by the Special Rules of Practice.


Michael D. Bergman

February 12, 1998
Washington, D.C.